

CITY OF HUMBOLDT, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2014

T. P. ANDERSON & COMPANY, P.C.
Certified Public Accountants

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CITY OF HUMBOLDT, IOWA

OFFICIALS

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|--------------------|-------------------------------------------------------|---------------------|
| Walter Jensen | Mayor | Jan 2016 |
| Dan Scholl | Council Member | Jan 2016 |
| John Sleiter | Council Member | Jan 2016 |
| Joel Goodell | Council Member | Jan 2016 |
| Bret Davis | Council Member | Jan 2018 |
| Darrell Rusher | Council Member | Jan 2018 |
| Aaron Burnett | Administrator | |
| Gloria Christensen | City Clerk | |
| Sierra Vorland | Deputy City Clerk | |
| Steve Boomgarden | Zoning Administrator Officer | Jan 2016 |
| Gloria Christensen | Mid-Iowa Regional Housing Authority Representative | Jan 2016 |
| Eric Eide | Attorney | Jan 2015 |
| Lance DeWinter | Park Commission | Jan 2016 |
| Tom Tecklenberg | Park Commission | Jan 2016 |
| Mike Worthington | Park Commission | Jan 2016 |
| Kim Jensen | Park Commission | Jan 2018 |
| Ross Sleiter | Park Commission | Jan 2018 |
| Susan Hett | Library Trustee | July 2015 |
| William Schaffer | Library Trustee | July 2015 |
| Tricia Gargano | Library Trustee | July 2015 |
| Tom Tecklenberg | Library Trustee | July 2017 |
| Sherri Crowley | Library Trustee | July 2017 |
| Robert Dodd | Airport Commission | Jan 2015 |
| Ed Allen | Airport Commission | Jan 2016 |
| Bryon Wadsley | Airport Commission | Jan 2017 |
| Dave Dodgen | Airport Commission | Jan 2019 |
| John Cero | Airport Commission | Jan 2020 |

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------------|--------------------------------|---------------------|
| Karla McKibban | Planning and Zoning Commission | Jan 2015 |
| Scott Lerdal | Planning and Zoning Commission | Jan 2015 |
| Vouth Varangkounh | Planning and Zoning Commission | Jan 2015 |
| Cory Matson | Planning and Zoning Commission | Jan 2016 |
| Scott Curran | Planning and Zoning Commission | Jan 2016 |
| Frank Rathke | Planning and Zoning Commission | Jan 2019 |
| Jay Bancroft | Planning and Zoning Commission | Jan 2020 |
| Alan Blanchard | Planning and Zoning Commission | Jan 2020 |
| Vacant | Planning and Zoning Commission | Jan 2020 |
| Bill Hansen | Zoning Adjustment Board | Jan 2016 |
| Scott Lerdal | Zoning Adjustment Board | Jan 2016 |
| Leah Burnett | Zoning Adjustment Board | Jan 2017 |
| Conrad Burgers | Zoning Adjustment Board | Jan 2018 |
| Jim Mertz | Zoning Adjustment Board | Jan 2019 |
| Vivien Hansen | Preservation Board | Jan 2016 |
| Susan Tomlinson | Preservation Board | Jan 2016 |
| Martha Schmidt | Preservation Board | Jan 2016 |
| Mary Carlson | Preservation Board | Jan 2017 |
| Roger Gochenour | Preservation Board | Jan 2017 |



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Humboldt, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Humboldt as of June 30, 2014, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 5 through 16 and 26 through 27, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2015, on our consideration of the City of Humboldt's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

T.P. Anderson & Company

January 19, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Humboldt, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 9%, or approximately \$553,000 from fiscal 2013 to fiscal 2014. The increase was mainly the result of increased debt proceeds and tax increment financing received during the year.
- Disbursements decreased 1%, or approximately \$51,000 in fiscal 2014 from fiscal 2013. Disbursements declined as capital project expenditures slowed during the year. Offsetting the decrease in capital expenditures was the increase in tax increment financing debt payments made from the prior year..
- The City's total cash basis net position decreased 12%, or approximately \$634,000 from June 30, 2013 to June 30, 2014. Of this amount, the assets of the governmental activities decreased approximately \$491,000 and the assets of the business type activities decreased by approximately \$143,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds, the City's indebtedness, and the governmental funds receipts and disbursements. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's cash basis net position. Over time, increases or decreases in the City's cash basis net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water, solid waste and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic service. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required cash basis financial statement for governmental funds includes a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, solid waste, and sewer funds.

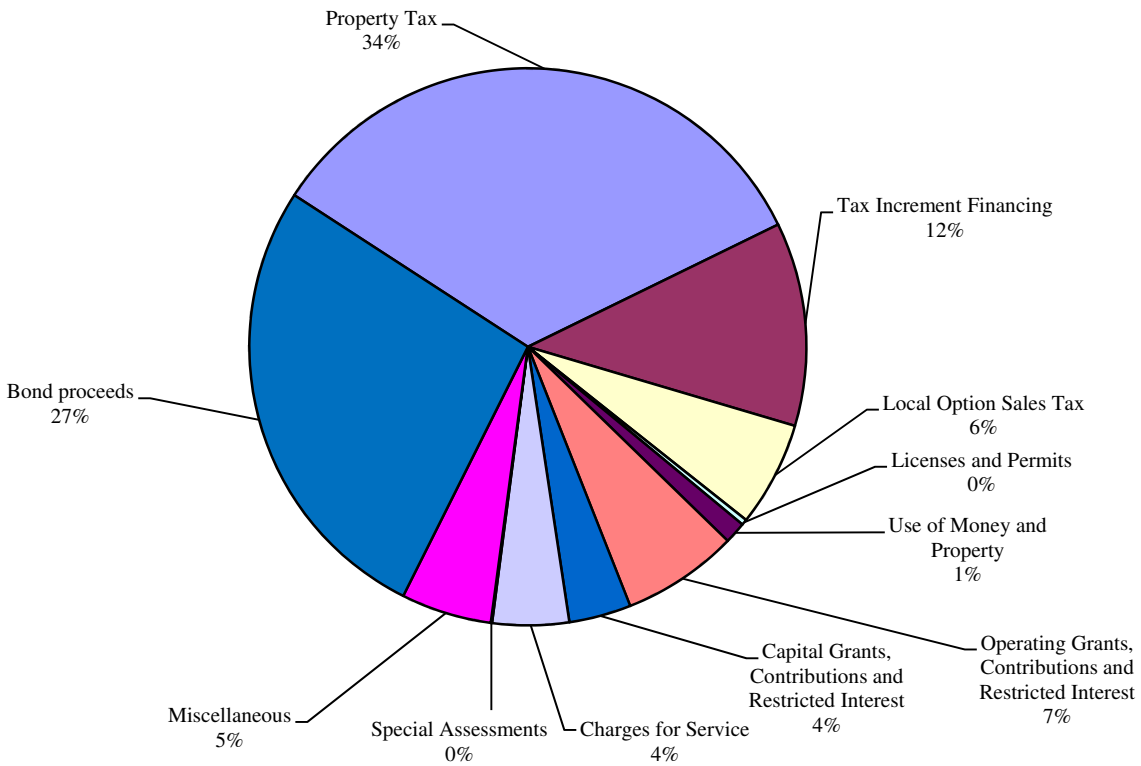
The required cash basis financial statement for proprietary funds includes a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

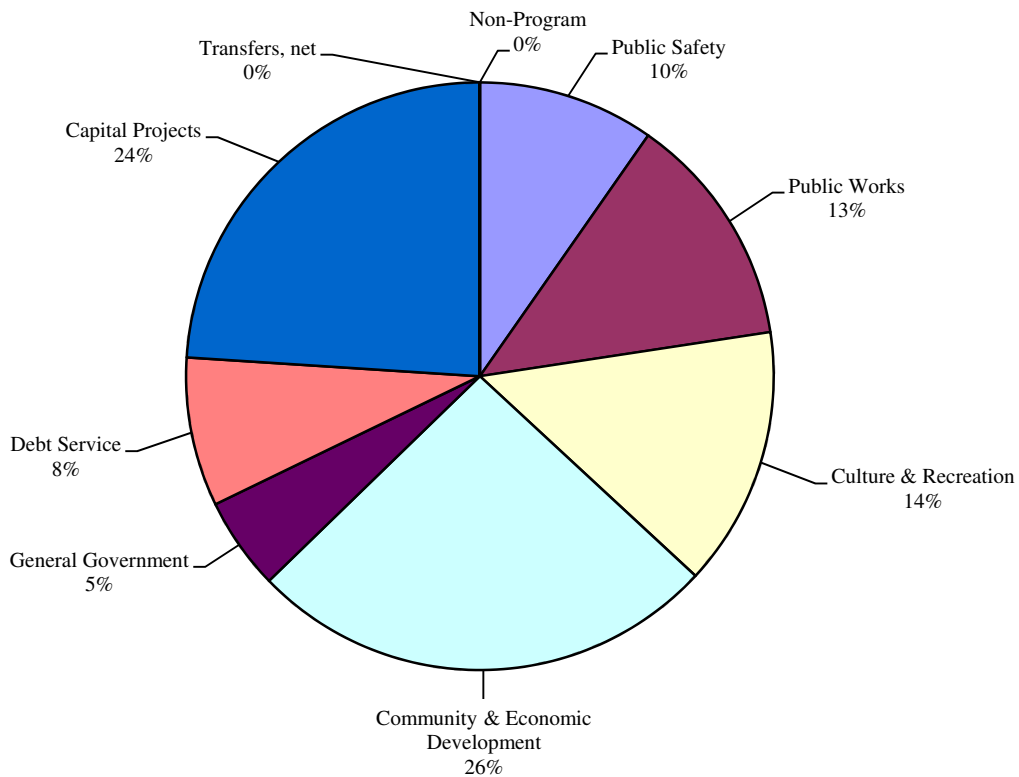
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$4.14 million to \$3.65 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

| Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands) | | |
|-------------------------------------------------------------------------------------------|---------------------|---------|
| | Year ended June 30, | |
| | 2014 | 2013 |
| Receipts and transfers: | | |
| Program receipts: | | |
| Charges for service | \$ 310 | 338 |
| Operating grants, contributions and restricted interest | 471 | 479 |
| Capital grants, contributions and restricted interest | 252 | 142 |
| General receipts: | | |
| Property tax | 2,346 | 2,453 |
| Tax increment financing | 825 | 669 |
| Local option sales tax | 426 | 435 |
| Unrestricted investment earnings | 10 | 16 |
| Bond proceeds – net of payments to refunding escrow agent | 1,870 | 1,535 |
| Other general receipts | 473 | 363 |
| Total receipts and transfers | 6,983 | 6,430 |
| Disbursements: | | |
| Public safety | 726 | 728 |
| Public works | 963 | 919 |
| Culture and recreation | 1,068 | 906 |
| Community and economic development | 1,932 | 706 |
| General government | 380 | 296 |
| Debt service | 613 | 614 |
| Capital projects | 1,792 | 3,356 |
| Total disbursements | 7,474 | 7,525 |
| Change in cash basis net position before transfers | (491) | (1,095) |
| Transfers, net | - | (6) |
| Change in cash basis net position | (491) | (1,101) |
| Cash basis net position beginning of year | 4,137 | 5,238 |
| Cash basis net position end of year | \$ 3,646 | 4,137 |

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities increased by approximately \$553,000 or 9%. The total cost of all programs and services decreased by approximately \$51,000 or 1%, with no new programs added this year. The decrease in the cost of programs and services was primarily due to an decrease in public works and community and economic development expenditures in the fiscal year.

The cost of all governmental activities this year was \$7.47 million compared to \$7.53 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on page 13, the amount taxpayers ultimately financed for these activities was only \$6.4 million because some of the cost was paid by those directly benefited from the programs (\$310,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$723,000). Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, increased in 2014 from approximately \$959,000 in the prior fiscal year to approximately \$1.03 million. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$3.6 million in tax (some of which could only be used for certain programs), and with other receipts, such as interest and general entitlements.

| Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands) | | |
|--------------------------------------------------------------------------------------------|---------------------|-------|
| | Year ended June 30, | |
| | 2014 | 2013 |
| Receipts: | | |
| Program receipts: | | |
| Charges for service: | | |
| Water | \$ 1,183 | 1,175 |
| Solid waste | 344 | 360 |
| Sewer | 959 | 974 |
| General receipts: | | |
| Miscellaneous | 80 | 7 |
| Unrestricted interest on investments | 2 | 4 |
| Bond proceeds (net of refunded bonds) | 3,021 | 3,081 |
| Total receipts | 5,589 | 5,601 |
| Disbursements: | | |
| Water | 4,503 | 4,054 |
| Solid waste | 380 | 423 |
| Sewer | 850 | 907 |
| Total disbursements | 5,733 | 5,384 |
| Change in cash basis net position before transfers | (144) | 217 |
| Transfers, net | - | (6) |
| Change in cash basis net position | (144) | 211 |
| Cash basis net position beginning of year | 1,311 | 1,088 |
| Cash basis net position end of year | \$ 1,167 | 1,311 |

Total business type activities receipts for the fiscal year were \$5.59 million compared to \$5.61 million last year. The cash balance for the business type activities decreased by approximately \$144,000 from the prior year.

Disbursements for the City's business-type activities increased 6% from the fiscal year 2013 disbursements. The increase primarily resulted from an increase of debt payments due on current debt obligations compared to the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As The City of Humboldt completed the year, its governmental funds reported a combined fund balance of \$3,645,800, which is a decrease of \$490,931 below last year's total of \$4,136,731. The following are brief descriptions of the reasons for the changes in fund balances of the City's major funds.

- The General Fund cash balance decreased from approximately \$88,000 from the prior year to \$70,000 in the current year due to planned operations of the fund.
- The Special Revenue, Urban Renewal Tax Increment Financing Fund decreased \$283,000. Debt service payments resulted in the decreased fund balance as of June 30, 2014.
- The Special Revenue, Local Option Sales Tax Fund balance increased \$426,000 as the collections made during 2014 outpaced the requirements of the fund. The results were planned during the budgeting process. The City is saving funds for the replacement of a bridge and sidewalk improvements on Sumner Avenue in 2015.
- The Special Revenue, Library Trust Fund ended the year with a fund balance of \$513,000, a decrease from 2013 of approximately \$31,000 as a result of the normal operations of the fund.
- The Special Revenue, Employee Benefits Fund Balance collected \$409,534 in property tax which was used to fund employee benefits.
- The Special Revenue, Road Use Tax Fund decreased its cash balance in 2014 by approximately \$18,000. The decrease is due to the regular operations of the fund
- The Debt Service Fund balance remained relatively consistent from the prior year, with the cash balance decreasing only \$3,000 from 2013. The change year over year was expected as noted in the budgeting process.
- The Louthan Fund balance decreased by approximately \$25,000 to \$466,000 due to a transfer made to the general fund during the year. This transfer was made to help make warrant payments on the Family Aquatic Center.
- The Capital Project Fund – Streets fund balance increased from approximately \$146,000 from the prior year to \$1,215,023 in the current year primarily due to receiving bond proceeds of \$1,200,000.
- The Capital Project Fund – Sumner Avenue fund had expenditures of approximately \$540,000 during the year as new capital projects began on the sidewalk and bridge. The City plans to receive tax increment financing in the upcoming year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased approximately \$294,000 to \$230,000 primarily due to an increase in debt service payments from the prior year.
- The Enterprise, Sewer Fund cash balance increased approximately \$186,000 to \$765,000 during the year due to planned operations of the fund.
- The Enterprise, Solid Waste Fund cash balance decreased approximately \$36,000 to \$171,000. The decrease was due to planned operations of the fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 19, 2014 and resulted in an increase in intergovernmental revenues of \$131,000, a decrease in miscellaneous revenues of \$195,000 and an increase in other financing sources of \$4,860,000. Budgeted disbursements increased overall by \$4.2 million dollars resulting largely from an increased budget for capital projects.

DEBT ADMINISTRATION

At June 30, 2014, the City had approximately \$17.8 million in bonds and other long-term debt, compared to approximately \$15.2 million last year, as shown below.

| | Outstanding Debt at Year-End (Expressed in Thousands) | |
|---------------------------------------------|----------------------------------------------------------|--------|
| | Year ended June 30, 2014 | 2013 |
| General obligation bonds | \$ 9,850 | 8,960 |
| Other bonds and notes | 72 | 31 |
| Urban renewal tax increment financing bonds | 0 | 755 |
| Revenue notes | 7,884 | 5,414 |
| Total | \$ 17,806 | 15,160 |

Debt increased due to the refunding of sewer revenue bonds and paying the GO debt as required by the City's bond agreement.

The Constitution of the State of Iowa limits the amount of general obligation debt cities issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$9,850,000 is below its constitutional debt limit of \$12,436,900.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Humboldt's elected and appointed officials and citizens have considered many factors when setting the fiscal year 2015 budget, tax rates and fees that will be charged for the various City activities.

The January 1, 2013 property valuation serves as the basis for calculating property taxes for the 2014-2015 fiscal year. The City of Humboldt's total assessed valuation decreased slightly this year, from \$250,318,502 on January 1, 2012 to \$249,973,979 on January 1, 2013, a decrease of 0.14%. Accordingly, the City's taxable

valuation decreased as well, from \$135,938,749 in FY 13-14 to \$135,802,681 in FY 14-15 or 0.10%.

This decrease in taxable value is due to several factors. First, we have a substantial increase in the amount of valuation being used by TIF projects. We are asking for all of the tax increment available in the South Side Urban Renewal Area (which includes the Riverview Heights and Eagle Ridge subdivisions) for payments on the Eagle Ridge Subdivision debt. In addition, we have asked for all of the available tax increment in the Central Business District for debt incurred there. In future tax years, a significant amount of valuation will be released back onto regular property tax rolls, and our taxable valuations will increase dramatically.

New legislation in effect this year for the first time provides a rollback to commercial and industrial property as well. The rollback for those properties will be 95% for valuations established during the 2013 assessment year, which impact the FY 14-15 tax receipts. For valuations established in 2014 and thereafter, commercial and industrial property will be rolled back to 90%. In simpler terms, this means that 90% of the value of commercial and industrial properties will be taxable; the amount taxing entities can collect from those properties is reduced by 10%.

The State Legislature has created a standing appropriation, beginning in FY 14-15, to reimburse local governments for the property tax reductions resulting from the new rollback for commercial and industrial property. The FY 14-15 “backfill” reimbursement for Humboldt is estimated at approximately \$50,000. We have conservatively budgeted for a revenue line item of \$35,000 for this year, as we are not sure which levies will be affected. The residential rollback percentage increased again this year for the fifth year in a row, from 52.8166% to 54.4002%.

In dollars, our total request this year is \$2,509,124; this is an increase over last year’s request (\$2,300,331) of \$208,793, or 9.20%. The increase is due to the proposed \$1.2 million bond issue for a street sealcoating project.

The decrease in the taxable valuations and decrease in the rollback result in a decrease of our \$8.10/\$1,000 General Fund levy revenues of \$1,102 from the previous year (a decrease of 0.10%).

We are proposing an increase in the total tax levy this year of \$1.23957/\$1,000, from \$16.20227 in FY 13-14 to \$17.44184 in FY 14-15. In the past, we have been able to maintain our total tax levy by using down some fund balances. We will continue to do this in only a few funds this year. Continued additional industrial development, significant new housing construction and the gradual reduction in TIF certifications as obligations are retired will help increase taxable valuations in the coming years and assist in rebuilding the General Fund. This year, however, we are again feeling the pinch of decreasing taxable valuations.

The fiscal year 2015 budget shows \$10,381,592 in anticipated revenues. This is an increase of \$2,000,783 from fiscal year 2014 budgeted revenues of \$8,380,809. This increase is largely due to the large projects pending. Water plant financing was received throughout FY13, FY14, and FY15. Anticipated expenditures in the fiscal year 2015 budget are \$11,114,326. Budgeted expenditures in fiscal year 2014 were \$11,651,898. The decrease is \$537,572, and largely reflects the differences between costs of capital projects in the respective years. The water treatment plant renovation was budgeted for FY 2011, but will be completed in FY 2015 instead.

The Council approved a wage increase for all City of Humboldt employees not covered by a union contract of 3.0%, effective July 1, 2014. Employees covered by the collective bargaining agreement with the Teamsters union negotiated a 2% increase.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Humboldt's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Gloria Christensen, City Clerk, 29 5th Street South, Humboldt, Iowa 50548.

Basic Financial Statements

CITY OF HUMBOLDT, IOWA

Exhibit A

CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

| Functions/Programs | Program Receipts | | | | Net (Disbursements) Receipts and Changes in Cash Basis Net Position | | |
|--------------------------------------------------|-------------------|------------------------|-----------------------------------------------------------------|---------------------------------------------------------------|------------------------------------------------------------------------|-----------------------------|--------------------|
| | Disbursements | Charges for Service | Operating Grants Contributions and Restricted Interest | Capital Grants Contributions and Restricted Interest | Governmental Activities | Business type Activities | Total |
| | | | | | | | |
| Primary Government | | | | | | | |
| Governmental activities: | | | | | | | |
| Public safety | 726,286 | 82,212 | 2,887 | - | (641,187) | - | (641,187) |
| Public works | 962,776 | - | 468,314 | 106,309 | (388,153) | - | (388,153) |
| Culture and recreation | 1,068,279 | 228,030 | - | 14,000 | (826,249) | - | (826,249) |
| Community and economic development | 1,932,251 | - | - | - | (1,932,251) | - | (1,932,251) |
| General government | 379,774 | - | - | - | (379,774) | - | (379,774) |
| Debt Service | 612,964 | - | - | - | (612,964) | - | (612,964) |
| Capital projects | 1,791,575 | - | - | 131,140 | (1,660,435) | - | (1,660,435) |
| Total governmental activities | 7,473,905 | 310,242 | 471,201 | 251,449 | (6,441,012) | - | (6,441,012) |
| Business type activities | | | | | | | |
| Water | 4,502,787 | 1,183,158 | - | - | - | (3,319,629) | (3,319,629) |
| Solid waste | 380,319 | 344,078 | - | - | - | (36,241) | (36,241) |
| Sewer | 849,734 | 958,743 | - | - | - | 109,009 | 109,009 |
| Total business type activities | 5,732,840 | 2,485,979 | - | - | - | (3,246,861) | (3,246,861) |
| Total | 13,206,745 | 2,796,221 | 471,201 | 251,449 | (6,441,012) | (3,246,861) | (9,687,873) |
| General Receipts: | | | | | | | |
| Property tax levied for: | | | | | | | |
| General purposes | | | | | 1,764,793 | - | 1,764,793 |
| Tax increment financing | | | | | 824,701 | - | 824,701 |
| Debt Service | | | | | 581,137 | - | 581,137 |
| Local option sales tax | | | | | 426,021 | - | 426,021 |
| Unrestricted interest on investments | | | | | 10,105 | 2,296 | 12,401 |
| Bond Proceeds | | | | | 1,870,000 | 3,021,038 | 4,891,038 |
| Miscellaneous | | | | | 473,324 | 80,019 | 553,343 |
| Total general receipts and transfers | | | | | 5,950,081 | 3,103,353 | 9,053,434 |
| Change in cash basis net position | | | | | (490,931) | (143,508) | (634,439) |
| Cash basis net position beginning of year | | | | | 4,136,731 | 1,310,503 | 5,447,234 |
| Cash basis net position end of year | | | | | 3,645,800 | 1,166,995 | 4,812,795 |
| Cash Basis Net Position: | | | | | | | |
| Restricted | | | | | | | |
| Nonexpendable: | | | | | | | |
| Louthan fund | | | | | 463,325 | - | 463,325 |
| Cemetery perpetual care | | | | | 60,023 | - | 60,023 |
| Expendable: | | | | | | | |
| Urban renewal purpose | | | | | 203,208 | - | 203,208 |
| Debt service | | | | | 55,633 | 246,556 | 302,189 |
| Employee benefits | | | | | 187,715 | - | 187,715 |
| Streets | | | | | 64,973 | - | 64,973 |
| Other purposes | | | | | 2,263,140 | 16,691 | 2,279,831 |
| Unrestricted | | | | | 347,783 | 903,748 | 1,251,531 |
| Total Cash Basis Net Position | | | | | 3,645,800 | 1,166,995 | 4,812,795 |

See Notes to Financial Statements

CITY OF HUMBOLDT, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

| | General | Special Revenue | | | | |
|----------------------------------------------------|--------------|--------------------------------|---------------------------|---------------|----------------------|--------------|
| | | Urban Renewal Tax Increment | Local Option Sales Tax | Library Trust | Employee Benefits | Road Use Tax |
| Receipts: | | | | | | |
| Property tax | \$ 1,309,187 | - | - | - | 409,534 | - |
| Tax increment financing collections | - | 824,701 | - | - | - | - |
| Other city tax | 46,072 | - | 426,021 | - | - | - |
| Licenses and permits | 23,424 | - | - | - | - | - |
| Use of money and property | 59,845 | - | - | 2,213 | - | - |
| Intergovernmental | 123,196 | - | - | - | - | 468,314 |
| Charges for service | 310,242 | - | - | - | - | - |
| Special assessments | - | - | - | - | - | - |
| Miscellaneous | 140,587 | 5,250 | - | 1,044 | 82,580 | - |
| Total receipts | 2,012,553 | 829,951 | 426,021 | 3,257 | 492,114 | 468,314 |
| Disbursements: | | | | | | |
| Operating: | | | | | | |
| Public safety | 597,922 | - | - | - | 128,364 | - |
| Public works | 182,045 | - | - | - | 97,635 | 654,938 |
| Culture and recreation | 893,796 | - | - | 33,866 | 138,520 | - |
| Community and economic development | 67,641 | 1,784,579 | - | - | 304 | - |
| General government | 197,849 | - | - | - | 153,708 | - |
| Debt service | - | - | - | - | - | - |
| Capital projects | - | - | - | - | - | - |
| Total disbursements | 1,939,253 | 1,784,579 | - | 33,866 | 518,531 | 654,938 |
| Excess (deficiency) of receipts over disbursements | 73,300 | (954,628) | 426,021 | (30,609) | (26,417) | (186,624) |
| Other financing sources (uses): | | | | | | |
| Bond proceeds | - | 670,000 | - | - | - | - |
| Operating transfers in | 26,628 | 1,500 | - | - | 63,902 | 175,000 |
| Operating transfers out | (67,402) | - | - | - | - | (6,000) |
| Total other financing sources (uses) | (40,774) | 671,500 | - | - | 63,902 | 169,000 |
| Net change in cash balances | 32,526 | (283,128) | 426,021 | (30,609) | 37,485 | (17,624) |
| Cash balances beginning of year | 87,522 | 486,336 | 899,851 | 543,600 | 150,230 | 82,597 |
| Cash balances end of year | \$ 120,048 | 203,208 | 1,325,872 | 512,991 | 187,715 | 64,973 |
| Cash Basis Fund Balances | | | | | | |
| Nonspendable | | | | | | |
| Louthan | - | - | - | - | - | - |
| Cemetery perpetual care | - | - | - | - | - | - |
| Restricted for: | | | | | | |
| Urban renewal purposes | - | 203,208 | - | - | - | - |
| Debt service | - | - | - | - | - | - |
| Employee benefits | - | - | - | - | 187,715 | - |
| Streets | - | - | - | - | - | 64,973 |
| Other purposes | - | - | 1,325,872 | 512,991 | - | - |
| Assigned | 57,400 | - | - | - | - | - |
| Unassigned | 62,648 | - | - | - | - | - |
| Total cash basis fund balances | \$ 120,048 | 203,208 | 1,325,872 | 512,991 | 187,715 | 64,973 |

See Notes to Financial Statements

Exhibit B

| Debt Service | Permanent | Capital Projects | | Other Nonmajor | Total |
|--------------|-----------|------------------|---------------|--------------------|-------------|
| | Louthan | Streets | Sumner Avenue | Governmental Funds | |
| 581,137 | - | - | - | - | 2,299,858 |
| - | - | - | - | - | 824,701 |
| - | - | - | - | - | 472,093 |
| - | - | - | - | - | 23,424 |
| - | 2,024 | - | - | 23,724 | 87,806 |
| - | - | 131,140 | - | - | 722,650 |
| - | - | - | - | - | 310,242 |
| - | - | - | - | 5,053 | 5,053 |
| 28,629 | - | - | - | 109,057 | 367,147 |
| 609,766 | 2,024 | 131,140 | - | 137,834 | 5,112,974 |
| - | - | - | - | - | 726,286 |
| - | - | - | - | 28,158 | 962,776 |
| - | - | - | - | 2,097 | 1,068,279 |
| - | - | - | - | 79,727 | 1,932,251 |
| - | - | - | - | 28,217 | 379,774 |
| 612,964 | - | - | - | - | 612,964 |
| - | - | 93,416 | 539,596 | 1,158,563 | 1,791,575 |
| 612,964 | - | 93,416 | 539,596 | 1,296,762 | 7,473,905 |
| (3,198) | 2,024 | 37,724 | (539,596) | (1,158,928) | (2,360,931) |
| - | - | 1,200,000 | - | - | 1,870,000 |
| - | - | 6,000 | - | 2,000 | 275,030 |
| - | (26,628) | (175,000) | - | - | (275,030) |
| - | (26,628) | 1,031,000 | - | 2,000 | 1,870,000 |
| (3,198) | (24,604) | 1,068,724 | (539,596) | (1,156,928) | (490,931) |
| 58,831 | 490,834 | 146,299 | - | 1,190,631 | 4,136,731 |
| 55,633 | 466,230 | 1,215,023 | (539,596) | 33,703 | 3,645,800 |
| - | 463,325 | - | - | - | 463,325 |
| - | - | - | - | 60,023 | 60,023 |
| - | - | - | - | - | 203,208 |
| 55,633 | - | - | - | - | 55,633 |
| - | - | - | - | - | 187,715 |
| - | - | - | - | - | 64,973 |
| - | - | 1,215,023 | - | 502,993 | 3,556,879 |
| - | - | - | - | - | 57,400 |
| - | 2,905 | - | (539,596) | (529,313) | (1,003,356) |
| 55,633 | 466,230 | 1,215,023 | (539,596) | 33,703 | 3,645,800 |

CITY OF HUMBOLDT, IOWA

Exhibit C

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
 PROPRIETARY FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

| | Water | Sewer | Solid Waste | Total |
|---------------------------------------------------------------------------------------|--------------|-----------|-------------|-------------|
| Operating receipts: | | | | |
| Charges for service | \$ 1,183,158 | 958,743 | 344,078 | 2,485,979 |
| Miscellaneous | 4,450 | 75,569 | - | 80,019 |
| Total operating receipts | 1,187,608 | 1,034,312 | 344,078 | 2,565,998 |
| Operating disbursements: | | | | |
| Business type activities | 772,368 | 528,439 | 380,319 | 1,681,126 |
| Total operating disbursements | 772,368 | 528,439 | 380,319 | 1,681,126 |
| Excess of operating receipts under operating disbursements | 415,240 | 505,873 | (36,241) | 884,872 |
| Non-operating receipts (disbursements): | | | | |
| Interest on investments | 18 | 1,806 | 472 | 2,296 |
| Debt service | (421,933) | (321,295) | - | (743,228) |
| Capital projects | (3,308,486) | - | - | (3,308,486) |
| Total non-operating receipts | (3,730,401) | (319,489) | 472 | (4,049,418) |
| Excess (deficit) of receipts and non-operating receipts over (under) disbursements | (3,315,161) | 186,384 | (35,769) | (3,164,546) |
| Other financing sources/(uses): | | | | |
| Bond proceeds | 3,021,038 | - | - | 3,021,038 |
| Total other financing sources | 3,021,038 | - | - | 3,021,038 |
| Net change in cash balances | (294,123) | 186,384 | (35,769) | (143,508) |
| Cash balances beginning of year | 524,477 | 578,955 | 207,071 | 1,310,503 |
| Cash balances end of year | \$ 230,354 | 765,339 | 171,302 | 1,166,995 |
| Cash Basis Fund Balances | | | | |
| Restricted for: | | | | |
| Debt service | - | 246,556 | - | 246,556 |
| Other purposes | 8,545 | 8,146 | - | 16,691 |
| Unrestricted | 221,809 | 510,637 | 171,302 | 903,748 |
| Total cash basis fund balances | \$ 230,354 | 765,339 | 171,302 | 1,166,995 |

See Notes to Financial Statements

CITY OF HUMBOLDT, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

(1) Summary of Significant Accounting Policies

The City of Humboldt is a political subdivision of the State of Iowa located in Humboldt County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities and solid waste services for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Humboldt (City) has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Humboldt County Conference Board, Humboldt County Emergency Management Commission, Humboldt County Joint E911 Service Board, Humboldt County Public Safety Commission, The North Central Iowa Regional Solid Waste Agency, Humboldt County Landfill, and MIDAS Council of Governments.

B. Basis of Presentation

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position reports information on all the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

This Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

CITY OF HUMBOLDT, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Expendable restricted net position results when constraints placed on the use of cash balances either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on resources imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue Funds:

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and repayment of tax increment financing indebtedness.

The Local Option Sales Tax Fund is used to account for the sales tax received from the State of Iowa and the usage of those dollars.

The Library Trust Fund is used to account for proceeds collected for the municipal library.

The Employee Benefits Fund is used to account for property tax levied specifically for employee benefits expenditures.

The Road Use Tax Fund is used to account for the road use tax received from the State of Iowa and the use of that money.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the city's general long-term debt.

CITY OF HUMBOLDT, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Permanent Fund:

Louthan – This fund is used to account for the permanently restricted dollars that have been donated to the City.

Capital Projects Funds:

Street – The fund is being used by the City to account for the various street improvement projects for the City.

Sumner Avenue – The fund is being used to account for the improvements to the infrastructure located on Sumner Avenue.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system. The Water Fund includes in its cash balance customer deposits of \$8,545 as of June 30, 2014, which have been reported as restricted funds.

The Enterprise, Sewer Fund accounts for operation and maintenance of the City's wastewater treatment and sanitary sewer system and includes the sinking funds which have a balance of \$27,056. It also accounts for the payment of interest and principal on the City's Sewer Revenue Refunding Capital Loan Notes and the related reserve fund which had a balance of \$219,500 at June 30, 2014. The Sewer Revenue Refunding Capital Loan Notes require a balance of \$219,500 to be held in reserve. The Sewer Fund also includes in its cash balance customer deposits of \$8,146 at June 30, 2014. These balances have been reported as restricted.

The Enterprise, Solid Waste Fund accounts for the operations and maintenance of the City's solid waste system.

C. Measurement Focus and Basis of Accounting

The City of Humboldt maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund

CITY OF HUMBOLDT, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. The City did not exceed budgeted expenditures for the year ended June 30, 2014.

(2) **Cash and Investments**

The City's deposits at June 30, 2014 (which include certificates of deposit totaling \$1,560,528) were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts and warrants or improvement certificates of a drainage district.

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$15,426 pursuant to Rule-2a under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated.

CITY OF HUMBOLDT, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Interest Rate Risk

The City's investment policy limits investment of operating funds (fund expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Interest received on cash balances of the City of Humboldt amounted to \$12,401 for the year ended June 30, 2014. These receipts are included under Use of Money and Property for Governmental Funds and Interest on Investments for proprietary activities.

The City maintains two bank accounts in conjunction with the implementation of the City's revolving loan program. These accounts are restricted for use in the city's revolving loan program and are reported as a separate fund on Schedule 1. The accounts had balances of \$68,653 and \$72,303 at June 30, 2014.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation, urban renewal tax increment financing revenue bonds, revenue notes and other long-term debt are as follows:

| Year Ending | General Obligation | | Revenue Notes | | Other Long-Term Debt | | Total | |
|-----------------|---------------------|------------------|------------------|------------------|-------------------------|-----------------|-------------------|------------------|
| <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2015 | 1,275,000 | 258,878 | 539,123 | 149,712 | 26,800 | 3,222 | 1,840,923 | 411,812 |
| 2016 | 1,305,000 | 238,239 | 567,000 | 142,028 | 27,423 | 1,993 | 1,899,423 | 382,260 |
| 2017 | 1,215,000 | 215,009 | 572,000 | 133,088 | 5,060 | 937 | 1,792,060 | 349,034 |
| 2018 | 1,090,000 | 187,816 | 582,000 | 123,148 | 2,394 | 575 | 1,674,394 | 311,539 |
| 2019 | 1,105,000 | 160,746 | 593,000 | 112,270 | 2,394 | 479 | 1,700,394 | 273,495 |
| 2020 | 880,000 | 139,084 | 388,000 | 100,719 | 2,394 | 383 | 1,270,394 | 240,186 |
| 2021 | 600,000 | 114,295 | 294,000 | 92,860 | 2,394 | 287 | 896,394 | 207,442 |
| 2022 | 580,000 | 90,977 | 300,000 | 86,980 | 3,188 | 192 | 883,188 | 178,149 |
| 2023 | 600,000 | 67,685 | 306,000 | 80,980 | - | - | 906,000 | 148,665 |
| 2024 | 615,000 | 42,700 | 342,000 | 74,860 | - | - | 957,000 | 117,560 |
| 2025 | 75,000 | 16,368 | 349,000 | 68,020 | - | - | 424,000 | 84,388 |
| 2026 | 85,000 | 14,455 | 356,000 | 61,040 | - | - | 441,000 | 75,495 |
| 2027 | 90,000 | 12,288 | 363,000 | 53,920 | - | - | 453,000 | 66,208 |
| 2028 | 95,000 | 9,810 | 370,000 | 46,660 | - | - | 465,000 | 56,470 |
| 2029 | 100,000 | 7,200 | 377,000 | 39,260 | - | - | 477,000 | 46,460 |
| 2030 | 70,000 | 4,200 | 385,000 | 31,720 | - | - | 455,000 | 35,920 |
| 2031 | 70,000 | 2,100 | 393,000 | 24,020 | - | - | 463,000 | 26,120 |
| 2032 | - | - | 400,000 | 10,500 | - | - | 400,000 | 10,500 |
| 2033 | - | - | 408,000 | 8,160 | - | - | 408,000 | 8,160 |
| | <u>\$ 9,850,000</u> | <u>1,581,850</u> | <u>7,884,123</u> | <u>1,439,945</u> | <u>72,047</u> | <u>8,068</u> | <u>17,806,170</u> | <u>3,029,863</u> |

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay up to \$6,814,000 of water revenue capital loan notes issued in 2013. Draws on the note have continued during the year. Proceeds from the notes provided financing for the planning of water treatment plant

CITY OF HUMBOLDT, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

improvements. The notes are payable solely from water customer net receipts and are payable through 2033. The total principal and interest remaining to be paid on the notes is \$6,274,123 and \$1,353,042, respectively. For the current year, principal and interest paid and total customer net receipts were \$365,436 and \$288,508, respectively. Provided the City proceeds with diligence to the completion of the project and complies with all applicable requirements as set forth in the Loan and Disbursement Agreement, following completion of the project a portion of the loan equal to approximately \$590,000 shall be forgiven and no payments of principal or interest shall be due with respect to the forgivable portion.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay sewer revenue refunding notes issued in April 2012. The notes are payable solely from sewer customer net receipts and are payable through 2020. The total principal and interest remaining to be paid on the notes is \$1,696,903. For the current year, principal and interest paid and total customer net receipts were \$321,295 and \$505,873, respectively.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sinking fund for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers of 25% of the monthly sinking fund deposit to sewer revenue reserve fund shall be made until the maximum principal and interest due in any year under the loan has been accumulated, approximately \$219,500. This fund is restricted for the purpose of paying for any additional improvements, extensions or repairs to the system. The minimum required balance had been accumulated at June 30, 2014.
- (d) For the Water and Sewer funds, sufficient rates are to be charged to generate Net Revenues adequate to pay the principal and interest on the bonds and to create/maintain the reserves required by the bonds. The Net Revenues are also to be equal to or greater than 110 percent of the principal and interest requirements of the succeeding fiscal year.

A summary of changes in long-term debt for the year ended June 30, 2014 is as follows:

| | General Obligation Bonds | Tax Increment Revenue Bonds | Revenue Bonds | Other Notes | Total |
|----------------------------|--------------------------------|-----------------------------------|------------------|----------------|-------------------|
| Balance, beginning of year | \$ 8,960,000 | 755,000 | 5,413,811 | 97,244 | 15,226,055 |
| Additions | 1,870,000 | - | 3,021,038 | - | 4,891,038 |
| Deletions | 980,000 | 755,000 | 550,726 | 25,197 | 2,310,923 |
| Balance, end of year | <u>\$ 9,850,000</u> | <u>-</u> | <u>7,884,123</u> | <u>72,047</u> | <u>17,806,170</u> |

Interest rates on the general obligation bonds range from 0.70-5.85%. Interest rates on the revenue bonds range from .95-2.1% and interest rates on the other debt range from 4.50-6.00%.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries.

CITY OF HUMBOLDT, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa 50306-9117.

Most plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$106,884, \$104,219, and \$90,879, respectively, equal to the required contributions for each year.

(5) Other Post Employment Benefits (OPEB)

Plan Description – The City operates a single employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 27 active and no inactive members in the plan. Participants must be 55 or older at retirement.

The medical benefits are provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premiums for medical benefits as active members.

Funding Policy – the contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$439 for single coverage and \$973 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2014, the City contributed \$154,990 and plan members contributed \$52,268 to the plan.

(6) Compensated Absences

City employees accumulate vacation and sick leave hours for subsequent use. Earned vacation is paid when used or when employment is terminated. Personal hours are not paid upon termination of employment. Sick leave is paid when used or upon retirement up to 15 days given that an employee has been a regular full time or regular part time employee of the City of Humboldt for at least 10 consecutive years immediately prior to retirement. Employees may convert up to twenty-four hours of sick leave to eight hours of vacation for every six months, January to June and July to December in which no sick leave is utilized. This conversion of sick leave to vacation shall not be allowed if it results in the employee's cumulative total of sick leave to be less than eighty hours. These accumulations are not recognized as expenditures by the City until they are paid. The City's approximate maximum liability for unrecognized accrued employee benefits, primarily relating to the General Fund, is as follows:

| <u>Type of Benefit</u> | <u>Amount at June 30, 2014</u> |
|----------------------------|--------------------------------|
| Sick pay and personal days | \$ 299,976 |
| Vacation pay | 44,022 |
| Total | <u>\$ 343,998</u> |

The liability has been computed based on rates of pay in effect at June 30, 2014.

(7) Interfund Transfers

The detail of interfund transfers, for the year ended June 30, 2014 is as follows:

CITY OF HUMBOLDT, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

| Transfer In | Transfer From | Amount |
|-------------------------------------------|-----------------------------------|-------------------|
| General | Permanent Fund-Louthan | \$ <u>26,628</u> |
| Special Revenue Community Projects | General Fund | \$ <u>2,000</u> |
| Special Revenue Fund TIF | General Fund | \$ <u>1,500</u> |
| Special Revenue Fund Employee Benefits | General Fund | \$ <u>63,902</u> |
| Special Revenue Fund Road Use Tax | Capital Project Fund-Streets | \$ <u>175,000</u> |
| Capital Project Fund Streets | Special Revenue Fund-Road Use Tax | \$ <u>6,000</u> |

All transfers were made with prior approval of the City Council and generally move resources from the fund statutorily required to collect the resource to the fund statutorily required to disburse the resources.

(8) Risk Management

The City of Humboldt is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The City of Humboldt also self-insures a portion of its employees' health insurance. The City uses a third party administrator to determine appropriate claims. At June 30, 2014, there were no unpaid claims due.

(9) Deficit Fund Balance

The Economic Development Office Fund, the Chamber of Commerce Fund and the Drainage District Fund had deficit fund balances of \$5,360, \$1,160 and \$205,187 respectively at June 30, 2014. The City pays bills on a reimbursement basis on behalf of these organizations. The deficit balances were a result of the City not yet receiving reimbursement for bills paid.

The Sumner Avenue, Eagle Ridge Fund and the Downtown Demolition Capital Project Funds had deficit balances of \$539,596, \$231,960 and \$85,646 respectively at June 30, 2014. The deficit balances were a result of project costs and debt obligations being paid prior to the collection of the related receipts. The deficit balance will be eliminated upon receipt of tax increment financing in the upcoming fiscal year.

(10) Property Taxes

Property taxes are recognized as income when received in accordance with the cash basis of accounting. The property tax calendar is as follows for the City of Humboldt. Property taxes become liens on property as of July 1, 2013 and are payable in September 2013 and March 2014. The valuation for the taxes were

CITY OF HUMBOLDT, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

based on January 1, 2012 assessed property valuations, and are based on a certified budget from March of 2013.

(11) Contracts

The City previously contracted with the Humboldt County Landfill Commission for landfill use for solid waste disposal for residences and businesses within the City. Effective December 31, 1995 the City withdrew from the Humboldt County Landfill. The City will continue to be liable for their share of post-closure costs that amounted to \$10,714 for the year ended June 30, 2014. The City will have an estimated annual liability for the post-closure costs which will continue for the 12 years remaining on the post-closure period.

Due to the withdrawal from Humboldt County Landfill, the City has entered into an agreement with the North Central Solid Waste Agency for solid waste disposal. Total payments by the City under this agreement for the year ended June 30, 2014 were \$40,365. This agreement is perpetual unless otherwise terminated or dissolved. The City is assessed a fee based on tonnage received at the landfill. The fee is adjusted annually.

The City has also contracted the Humboldt County Public Safety Commission (Commission) for use of the law enforcement center building. For the year ended June 30, 2014, the City paid \$111,391 pursuant to this agreement. This agreement is perpetual unless otherwise terminated or dissolved. The Commission meets annually to set the budget.

The City has also contracted with a private contractor, PeopleService, Inc., for the operation and maintenance of the municipal sewer plant and municipal waterworks. Payments under these contracts totaled \$185,069 and \$446,986 respectively for the year ended June 30, 2014. The monthly compensation paid to PeopleService, Inc. is adjusted on an annual basis for the change in Consumer Price Index for all Urban Consumers as regularly reported by the U.S. Bureau of Labor Statistics. This agreement extends through June 30, 2016.

(12) Subsequent Events

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through January 19, 2015, the date the financial statements were issued.

(12) Prospective Accounting Change

The Governmental Accounting Standards Board has issued statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements established new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

Other Information

CITY OF HUMBOLDT, IOWA

Budgetary Comparison Schedule of Receipts, Disbursements, and
Changes in Balances - Budget and Actual (Cash Basis) -
All Government Funds and Proprietary Funds

Other Information
Year Ended June 30, 2014

| | Governmental Funds Activity | Proprietary Funds Activity | Net |
|-----------------------------------------------------------------------------------------------------------------------|--------------------------------|-------------------------------|-------------|
| Receipts: | | | |
| Property tax | \$ 2,299,858 | - | 2,299,858 |
| Tax increment financing collections | 824,701 | - | 824,701 |
| Other city tax | 472,093 | - | 472,093 |
| Licenses and permits | 23,424 | - | 23,424 |
| Use of money and property | 87,806 | 2,296 | 90,102 |
| Intergovernmental | 722,650 | - | 722,650 |
| Charges for service | 310,242 | 2,485,979 | 2,796,221 |
| Special assessments | 5,053 | - | 5,053 |
| Miscellaneous | 367,147 | 80,019 | 447,166 |
| Total receipts | 5,112,974 | 2,568,294 | 7,681,268 |
| Disbursements: | | | |
| Program | | | |
| Public Safety | 726,286 | - | 726,286 |
| Public Works | 962,776 | - | 962,776 |
| Culture & Recreation | 1,068,279 | - | 1,068,279 |
| Community & economic development | 1,932,251 | - | 1,932,251 |
| General government | 379,774 | - | 379,774 |
| Debt Service | 612,964 | - | 612,964 |
| Capital projects | 1,791,575 | 3,185,459 | 4,977,034 |
| Business type activities | - | 2,547,381 | 2,547,381 |
| Total disbursements | 7,473,905 | 5,732,840 | 13,206,745 |
| Excess (deficiency) of receipts over disbursements | (2,360,931) | (3,164,546) | (5,525,477) |
| Other financing sources (uses) | 1,870,000 | 3,021,038 | 4,891,038 |
| Excess (disbursements) of receipts and other financing sources over (under) disbursements and other financing uses | (490,931) | (143,508) | (634,439) |
| Balance - beginning of year | 4,136,731 | 1,310,503 | 5,447,234 |
| Balance - end of year | \$ 3,645,800 | 1,166,995 | 4,812,795 |

See Accompanying Independent Auditor's Report

| Budgeted Amounts | | |
|------------------|-------------|--------------------------|
| Original | Final | Final to Net Variance |
| 2,238,111 | 2,238,111 | 61,747 |
| 896,160 | 896,160 | (71,459) |
| 577,820 | 577,820 | (105,727) |
| 18,950 | 18,950 | 4,474 |
| 32,890 | 32,890 | 57,212 |
| 1,203,502 | 1,334,502 | (611,852) |
| 2,760,481 | 2,760,481 | 35,740 |
| 7,500 | 7,500 | (2,447) |
| 648,395 | 453,395 | (6,229) |
| 8,383,809 | 8,319,809 | (638,541) |
| 742,170 | 786,070 | 59,784 |
| 1,309,846 | 1,357,146 | 394,370 |
| 1,011,558 | 1,166,858 | 98,579 |
| 1,264,370 | 1,976,705 | 44,454 |
| 326,591 | 411,091 | 31,317 |
| 613,165 | 613,165 | 201 |
| 3,730,000 | 6,732,500 | 1,755,466 |
| 2,654,198 | 2,786,898 | 239,517 |
| 11,651,898 | 15,830,433 | 2,623,688 |
| (3,268,089) | (7,510,624) | 1,985,147 |
| - | 4,860,000 | 31,038 |
| (3,268,089) | (2,650,624) | 2,016,185 |
| 7,989,618 | 7,989,618 | (2,542,384) |
| 4,721,529 | 5,338,994 | (526,199) |

CITY OF HUMBOLDT, IOWA

NOTES TO OTHER INFORMATION – BUDGETARY REPORTING

June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No.41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund, each major Special Revenue Fund and each major Capital Project Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts and budgeted disbursements respectively by \$4,796,000 and \$4,178,535. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, the City did not exceed the budgeted limits.

CITY OF HUMBOLDT, IOWA

Statement of Cash Receipts, Disbursements
and Changes in Cash Balance
Nonmajor Governmental Funds
As of and for the year ended June 30, 2014

| | Special Revenue | | | | | |
|---------------------------------------|-----------------------|--------------------------|-----------------------|------------------------|-----------------------------------|------------------------|
| | Community Projects | 13A Drainage District | Street Assessments | Chamber of Commerce | Economic Development Office | Revolving Loan Fund |
| Receipts: | | | | | | |
| Property tax | - | - | - | - | - | - |
| Other city tax | - | - | - | - | - | - |
| Use of money and property | 354 | - | - | - | - | 23,370 |
| Intergovernmental | - | - | - | - | - | - |
| Special assessments | - | - | 5,053 | - | - | - |
| Miscellaneous | 30,834 | - | - | 7,195 | 71,028 | - |
| Total receipts | 31,188 | - | 5,053 | 7,195 | 71,028 | 23,370 |
| Disbursements: | | | | | | |
| Operating: | | | | | | |
| Public safety | - | - | - | - | - | - |
| Public works | - | 25,730 | 2,428 | - | - | - |
| Culture and recreation | 2,097 | - | - | - | - | - |
| Community and economic development | - | - | - | 8,355 | 71,372 | - |
| General government | 28,217 | - | - | - | - | - |
| Debt service | - | - | - | - | - | - |
| Capital projects | - | - | - | - | - | - |
| Total disbursements | 30,314 | 25,730 | 2,428 | 8,355 | 71,372 | - |
| Excess of receipts over disbursements | 874 | (25,730) | 2,625 | (1,160) | (344) | 23,370 |
| Other financing sources (uses): | | | | | | |
| Bond proceeds | - | - | - | - | - | - |
| Operating transfers in | 2,000 | - | - | - | - | - |
| Operating transfers out | - | - | - | - | - | - |
| Total other financing sources (uses) | 2,000 | - | - | - | - | - |
| Net change in cash balances | 2,874 | (25,730) | 2,625 | (1,160) | (344) | 23,370 |
| Cash balances beginning of year | 98,128 | (179,457) | 1,758 | - | (5,016) | 117,586 |
| Cash balances end of year | 101,002 | (205,187) | 4,383 | (1,160) | (5,360) | 140,956 |
| Cash basis fund balances | | | | | | |
| Nonspendable: | | | | | | |
| Cemetery perpetual care | 60,023 | - | - | - | - | - |
| Restricted for: | | | | | | |
| Other purposes | 40,979 | - | 4,383 | - | - | 140,956 |
| Assigned | - | - | - | - | - | - |
| Unassigned | - | (205,187) | - | (1,160) | (5,360) | - |
| Total cash basis fund balances | 101,002 | (205,187) | 4,383 | (1,160) | (5,360) | 140,956 |

Schedule 1

| Capital Projects | | | | |
|------------------|---------------|------------------------|-------------------------------|-------------|
| Eagle Ridge | Business Park | Downtown Demolition | Northside Urban Renewal | Total |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | 23,724 |
| - | - | - | - | - |
| - | - | - | - | 5,053 |
| - | - | - | - | 109,057 |
| - | - | - | - | 137,834 |
| - | - | - | - | - |
| - | - | - | - | 28,158 |
| - | - | - | - | 2,097 |
| - | - | - | - | 79,727 |
| - | - | - | - | 28,217 |
| - | - | - | - | - |
| 589,906 | 8,366 | 257,801 | 302,490 | 1,158,563 |
| 589,906 | 8,366 | 257,801 | 302,490 | 1,296,762 |
| (589,906) | (8,366) | (257,801) | (302,490) | (1,158,928) |
| - | - | - | - | - |
| - | - | - | - | 2,000 |
| - | - | - | - | - |
| - | - | - | - | 2,000 |
| (589,906) | (8,366) | (257,801) | (302,490) | (1,156,928) |
| 357,946 | 87,082 | 172,155 | 540,449 | 1,190,631 |
| (231,960) | 78,716 | (85,646) | 237,959 | 33,703 |
| - | - | - | - | 60,023 |
| - | 78,716 | - | 237,959 | 502,993 |
| - | - | - | - | - |
| (231,960) | - | (85,646) | - | (529,313) |
| (231,960) | 78,716 | (85,646) | 237,959 | 33,703 |

CITY OF HUMBOLDT, IOWA

Schedule 2

SCHEDULE OF INDEBTEDNESS
Year Ended June 30, 2014

| Obligation | Date Issued | Interest Rate | Amount Original Issue | Balance Beginning of Year | Issued During Year | Redeemed During Year | Balance End of Year | Interest Paid | Interest Due and Unpaid |
|--------------------------------------------------------------|-------------|---------------|-----------------------|---------------------------|--------------------|----------------------|---------------------|---------------|-------------------------|
| General Obligation Bonds | | | | | | | | | |
| Capital Loan Note Series 2009A | 12/22/2009 | 0.75% | 2,580,000 | 1,630,000 | - | 235,000 | 1,395,000 | 47,418 | - |
| Capital Loan Note Series 2009B | 12/22/2009 | 4.97% | 1,320,000 | 1,320,000 | - | - | 1,320,000 | 68,556 | - |
| Capital Loan Note Series 2011A | 6/22/2011 | 0.65% | 3,320,000 | 2,715,000 | - | 275,000 | 2,440,000 | 65,253 | - |
| Capital Loan Note Series 2011B | 6/22/2011 | 0.90% | 1,845,000 | 1,590,000 | - | 250,000 | 1,340,000 | 31,340 | - |
| Capital Loan Note Series 2012 | 9/20/2012 | 0.60% | 1,535,000 | 1,535,000 | - | 125,000 | 1,410,000 | 48,893 | - |
| Capital Loan Note Series 2014 | 5/28/2014 | 2.00% | 1,870,000 | - | 1,870,000 | - | 1,870,000 | - | - |
| TIF General Obligation Bond/Notes | | | | | | | | | |
| Rustix Restaurant | 10/2/2006 | 5.85% | 180,000 | 100,000 | - | 25,000 | 75,000 | 6,185 | - |
| Riverview Heights | 10/2/2006 | 3.85% | 330,000 | 70,000 | - | 70,000 | - | 2,835 | - |
| | | | | 8,960,000 | 1,870,000 | 980,000 | 9,850,000 | 270,480 | |
| Urban Renewal Tax Increment Financing (TIF) revenue bonds | | | | | | | | | |
| | 4/16/2007 | 3.90% | 1,080,000 | 755,000 | - | 755,000 | - | 31,765 | - |
| Revenue Bonds | | | | | | | | | |
| Sewer Revenue Refunding Capital Loan Notes, | 4/30/2012 | 0.60% | 2,195,000 | 1,905,000 | - | 295,000 | 1,610,000 | 26,295 | - |
| Water Plant Renovation SRF Loan | 2/8/2013 | 2.00% | 6,814,000 | 3,508,811 | 3,021,038 | 255,726 | 6,274,123 | 109,710 | - |
| | | | | 5,413,811 | 3,021,038 | 550,726 | 7,884,123 | 136,005 | - |
| Special Assessment Notes | | | | | | | | | |
| Hall Street Improvement Project | 12/19/2008 | 6.00% | | 8,936 | - | 1,978 | 6,958 | 450 | - |
| Water Sewer Service Line Repair | 2/6/2012 | 4.00% | | 21,912 | - | 1,966 | 19,946 | 852 | - |
| | | | | \$ 30,848 | - | 3,944 | 26,904 | 1,302 | - |
| Additional Warrants | | | | | | | | | |
| Family Aquatic Center | 10/2/2006 | 4.50% | 231,940 | 66,396 | - | 21,253 | 45,143 | 2,747 | - |

See Accompanying Independent Auditor's Report

CITY OF HUMBOLDT, IOWA

Schedule 3

SCHEDULE OF BOND AND NOTE MATURITIES

June 30, 2014

| Year Ending June 30, | General Obligation TIF Rustix Issued 10/02/2006 | | General Obligation Capital Loan Note Series 2009A Issued 12/22/09 | | General Obligation Capital Loan Note Series 2009B Issued 12/22/09 | | General Obligation Capital Loan Note Series 2011A Issued 06/22/11 | | General Obligation Capital Loan Note Series 2011B Issued 06/22/11 | | General Obligation Capital Loan Note Series 2012 Issued 09/20/12 | | General Obligation Capital Loan Note Series 2014 Issued 05/28/14 | | Total |
|----------------------------|-------------------------------------------------------|---------------|----------------------------------------------------------------------------|------------------|----------------------------------------------------------------------------|------------------|----------------------------------------------------------------------------|------------------|----------------------------------------------------------------------------|------------------|---------------------------------------------------------------------------|------------------|---------------------------------------------------------------------------|------------------|------------------|
| | Rate | Amount | Rate | Amount | Rate | Amount | Rate | Amount | Rate | Amount | Rate | Amount | Rate | Amount | |
| 2015 | 6.15 | 20,000 | 2.50 | 235,000 | 4.97 | - | 1.50 | 280,000 | 1.50 | 250,000 | 0.70 | 145,000 | 1.00 | 345,000 | 1,275,000 |
| 2016 | 6.20 | 25,000 | 2.75 | 245,000 | 4.97 | - | 1.75 | 285,000 | 1.75 | 255,000 | 0.85 | 145,000 | 1.00 | 350,000 | 1,305,000 |
| 2017 | 6.25 | 20,000 | 3.00 | 250,000 | 4.97 | - | 2.05 | 230,000 | 2.05 | 215,000 | 1.00 | 150,000 | 2.00 | 350,000 | 1,215,000 |
| 2018 | 6.30 | 10,000 | 3.20 | 260,000 | 4.97 | - | 2.25 | 235,000 | 2.25 | 205,000 | 1.65 | 20,000 | 2.00 | 360,000 | 1,090,000 |
| 2019 | - | - | 3.40 | 265,000 | 4.97 | - | 2.55 | 240,000 | 2.55 | 205,000 | 1.65 | 30,000 | 2.00 | 365,000 | 1,105,000 |
| 2020 | - | - | 3.60 | 140,000 | 4.97 | 135,000 | 2.80 | 245,000 | 2.80 | 210,000 | 1.65 | 50,000 | 2.00 | 100,000 | 880,000 |
| 2021 | - | - | - | - | 5.07 | 285,000 | 3.00 | 255,000 | - | - | 2.05 | 60,000 | - | - | 600,000 |
| 2022 | - | - | - | - | 5.17 | 290,000 | 3.15 | 215,000 | - | - | 2.05 | 75,000 | - | - | 580,000 |
| 2023 | - | - | - | - | 5.27 | 300,000 | 3.30 | 225,000 | - | - | 2.35 | 75,000 | - | - | 600,000 |
| 2024 | - | - | - | - | 5.37 | 310,000 | 3.45 | 230,000 | - | - | 2.35 | 75,000 | - | - | 615,000 |
| 2025 | - | - | - | - | - | - | - | - | - | - | 2.55 | 75,000 | - | - | 75,000 |
| 2026 | - | - | - | - | - | - | - | - | - | - | 2.55 | 85,000 | - | - | 85,000 |
| 2027 | - | - | - | - | - | - | - | - | - | - | 2.75 | 90,000 | - | - | 90,000 |
| 2028 | - | - | - | - | - | - | - | - | - | - | 2.75 | 95,000 | - | - | 95,000 |
| 2029 | - | - | - | - | - | - | - | - | - | - | 3.00 | 100,000 | - | - | 100,000 |
| 2030 | - | - | - | - | - | - | - | - | - | - | 3.00 | 70,000 | - | - | 70,000 |
| 2031 | - | - | - | - | - | - | - | - | - | - | 3.00 | 70,000 | - | - | 70,000 |
| | | <u>75,000</u> | | <u>1,395,000</u> | | <u>1,320,000</u> | | <u>2,440,000</u> | | <u>1,340,000</u> | | <u>1,410,000</u> | | <u>1,870,000</u> | <u>9,850,000</u> |

| Sewer Revenue Refunding | | | | | | Special Assessment Hall Street Issued 12/19/08 | | Special Assessment Sewer Line Repair Issued 2/6/12 | | Family Aquatic Center Issued 6/1/11 | | Total |
|------------------------------------------|------|--------------------------------|------|------------------|------------------|------------------------------------------------------|--------------|----------------------------------------------------------|---------------|----------------------------------------|---------------|---------------|
| Capital Loan Notes Issued 04/30/12 | | Water Plant Renovation Loan | | Total | | Rate | Amount | Rate | Amount | Rate | Amount | |
| 2015 | 0.95 | 295,000 | 2.00 | 244,123 | 539,123 | 6.00 | 2,146 | 4.00 | 2,394 | 5.00 | 22,260 | 26,800 |
| 2016 | 1.20 | 300,000 | 2.00 | 267,000 | 567,000 | 6.00 | 2,146 | 4.00 | 2,394 | 5.00 | 22,883 | 27,423 |
| 2017 | 1.50 | 300,000 | 2.00 | 272,000 | 572,000 | 6.00 | 2,666 | 4.00 | 2,394 | - | - | 5,060 |
| 2018 | 1.75 | 305,000 | 2.00 | 277,000 | 582,000 | - | - | 4.00 | 2,394 | - | - | 2,394 |
| 2019 | 1.90 | 310,000 | 2.00 | 283,000 | 593,000 | - | - | 4.00 | 2,394 | - | - | 2,394 |
| 2020 | 2.10 | 100,000 | 2.00 | 288,000 | 388,000 | - | - | 4.00 | 2,394 | - | - | 2,394 |
| 2021 | - | - | 2.00 | 294,000 | 294,000 | - | - | 4.00 | 2,394 | - | - | 2,394 |
| 2022 | - | - | 2.00 | 300,000 | 300,000 | - | - | 4.00 | 3,188 | - | - | 3,188 |
| 2023 | - | - | 2.00 | 306,000 | 306,000 | - | - | - | - | - | - | - |
| 2024 | - | - | 2.00 | 342,000 | 342,000 | - | - | - | - | - | - | - |
| 2025 | - | - | 2.00 | 349,000 | 349,000 | - | - | - | - | - | - | - |
| 2026 | - | - | 2.00 | 356,000 | 356,000 | - | - | - | - | - | - | - |
| 2027 | - | - | 2.00 | 363,000 | 363,000 | - | - | - | - | - | - | - |
| 2028 | - | - | 2.00 | 370,000 | 370,000 | - | - | - | - | - | - | - |
| 2029 | - | - | 2.00 | 377,000 | 377,000 | - | - | - | - | - | - | - |
| 2030 | - | - | 2.00 | 385,000 | 385,000 | - | - | - | - | - | - | - |
| 2031 | - | - | 2.00 | 393,000 | 393,000 | - | - | - | - | - | - | - |
| 2032 | - | - | 2.00 | 400,000 | 400,000 | - | - | - | - | - | - | - |
| 2033 | - | - | 2.00 | 408,000 | 408,000 | - | - | - | - | - | - | - |
| | | <u>1,610,000</u> | | <u>6,274,123</u> | <u>7,884,123</u> | | <u>6,958</u> | | <u>19,946</u> | | <u>45,143</u> | <u>72,047</u> |

See Accompanying Independent Auditor's Report

CITY OF HUMBOLDT, IOWA

Schedule 4

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|-------------------------------------|--------------|--------------|--------------|--------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Receipts: | | | | | | | | | | |
| Property tax | \$ 2,299,858 | \$ 2,406,148 | \$ 2,302,147 | \$ 2,152,704 | 1,904,779 | 1,633,656 | 1,655,745 | 1,544,817 | 1,582,782 | 1,328,024 |
| Tax increment financing collections | 824,701 | 669,180 | 282,262 | 443,021 | 420,167 | 404,449 | 312,532 | 365,022 | 185,636 | 200,480 |
| Other city tax | 472,093 | 482,326 | 388,242 | 397,628 | 341,082 | 357,445 | 393,347 | 389,048 | 304,638 | 327,835 |
| Licenses and permits | 23,424 | 18,256 | 17,087 | 19,458 | 25,452 | 17,366 | 20,715 | 17,661 | 14,987 | 17,057 |
| Use of money and property | 87,806 | 79,374 | 80,878 | 142,977 | 73,895 | 80,867 | 155,848 | 167,204 | 142,485 | 86,015 |
| Intergovernmental | 722,650 | 620,438 | 2,420,133 | 3,141,751 | 802,439 | 934,487 | 443,633 | 713,780 | 465,285 | 475,193 |
| Charges for service | 310,242 | 337,806 | 295,373 | 273,612 | 287,532 | 345,879 | 311,083 | 386,638 | 271,096 | 170,698 |
| Special assessments | 5,053 | 5,987 | 7,105 | 9,734 | 11,794 | 16,366 | 39,940 | 23,050 | 64,756 | 48,024 |
| Miscellaneous | 367,147 | 274,580 | 303,790 | 287,802 | 293,218 | 492,455 | 589,517 | 297,352 | 158,353 | 241,843 |
| Total receipts | \$ 5,112,974 | \$ 4,894,095 | \$ 6,097,017 | \$ 6,868,687 | 4,160,358 | 4,282,970 | 3,922,360 | 3,904,572 | 3,190,018 | 2,895,169 |
| Disbursements: | | | | | | | | | | |
| Operating: | | | | | | | | | | |
| Public safety | \$ 726,286 | \$ 727,871 | \$ 682,479 | \$ 675,231 | 653,393 | 906,627 | 622,585 | 600,159 | 629,836 | 546,850 |
| Public works | 962,776 | 919,433 | 1,224,325 | 876,813 | 1,124,118 | 1,317,778 | 877,931 | 933,321 | 680,999 | 568,214 |
| Culture and recreation | 1,068,279 | 905,935 | 907,804 | 973,989 | 1,097,108 | 977,325 | 908,995 | 850,460 | 651,089 | 908,965 |
| Community and economic development | 1,932,251 | 705,513 | 1,216,611 | 477,814 | 495,133 | 492,990 | 1,246,099 | 1,411,591 | 536,316 | 196,717 |
| General government | 379,774 | 296,072 | 279,996 | 290,821 | 253,579 | 260,547 | 271,955 | 243,422 | 201,098 | 483,523 |
| Debt service | 612,964 | 613,899 | 621,347 | 581,822 | 552,586 | 230,913 | 230,533 | 229,650 | 230,482 | - |
| Capital projects | 1,791,575 | 3,356,317 | 2,900,373 | 4,824,806 | 159,331 | 238,335 | 297,435 | 365,730 | 3,266,851 | 2,587,037 |
| Non program | - | - | - | - | 49,724 | 54,957 | 74,590 | 53,708 | 105,841 | 80,884 |
| Total disbursements | \$ 7,473,905 | \$ 7,525,040 | \$ 7,832,935 | \$ 8,701,296 | 4,384,972 | 4,479,472 | 4,530,123 | 4,688,041 | 6,302,512 | 5,372,190 |

See Accompanying Independent Auditor's Report

CITY OF HUMBOLDT, IOWA

Schedule 5

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

| Federal Grantor/Pass-through Grantor Title | CFDA Number | Pass-through Grantor Number | Federal Expenditures |
|--------------------------------------------|----------------|-----------------------------------|-------------------------|
| Environmental Protection Agency | | | |
| Pass-through programs from: | | | |
| Iowa State Revolving Loan Fund | | | |
| Water Pass through | | | |
| Water Revenue Bonds - SRF | 66.468 | FS-46-12-DWSRF-006 | 414,698 |
| Total Environmental Protection Agency | | | 414,698 |
| U.S. Department of Homeland Security: | | | |
| Pass-through programs from: | | | |
| Federal Emergency Management Agency | | | |
| Public Assistance Grant | | | |
| Flood Remediation | 97.036 | DR-1930-IA | 107,397 |
| Total U.S. Department of Homeland Security | | | 107,397 |
| U.S. Department of Transportation: | | | |
| Direct Program | | | |
| Airport Improvement Grant | | | |
| Airport - T Hangar Improvements | 20.106 | | 40,959 |
| Total U.S. Department of Transportation | | | 40,959 |
| Total | | | \$ 563,054 |

Basis of Presentation - the Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Humboldt, Iowa and is presented in conformity with another comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council
City of Humboldt

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Humboldt, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Humboldt, Iowa's basic financial statements and have issued our report thereon dated January 19, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Humboldt, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Humboldt, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Humboldt, Iowa's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency, 2014-001, described in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Humboldt, Iowa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Cost.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Humboldt, Iowa's Response to Findings

The City of Humboldt, Iowa's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Humboldt, Iowa's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Algona during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

T.P. Anderson & Company

January 19, 2015



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report on Compliance
for Each Major Federal Program, on Internal Control over Compliance
and on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Humboldt, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on the City of Humboldt's major federal program for the year ended June 30, 2014. City of Humboldt's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for City of Humboldt's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Humboldt's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Humboldt's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Humboldt complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of the City of Humboldt is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Humboldt's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Humboldt's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify a deficiency in internal control over compliance that we consider to be a material weaknesses, as defined above.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency or combination of deficiencies in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

T.P. Anderson & Company

January 19, 2015

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (e) The major program for the Fiscal Year ended June 30, 2014 was CFDA# 66.468, Iowa State Revolving Loan Fund – Capitalization grant for drinking water, Water Revenue Bonds - SRF.
- (f) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (g) The City of Humboldt, Iowa did not qualify as a low-risk audit.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES

2014-001 Segregation of Duties - We noted that the cash receipt function and the recording of the cash receipts is on occasion handled by the same person.

Criteria - An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Cause – there is a limited staff size that makes having an appropriate segregation of duties difficult for the City.

Effect – The City’s internal control system is not as strong as it could be with a proper segregation of duties.

Recommendation – The City should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - We believe that we are close to the maximum degree of segregation of duties possible with the limited number of office employees. We will investigate additional procedures to cost effectively improve internal control.

Conclusion - The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Part III: Findings for Federal Awards:

INSTANCES OF NON-COMPLIANCE

CFDA Number 66.468: Iowa State Revolving Loan Fund – Capitalization grant for drinking water, Water Revenue Bonds - SRF
Federal Award Year: 2014

None were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 66.468: Iowa State Revolving Loan Fund – Capitalization grant for drinking water, Water Revenue Bonds - SRF
Federal Award Year: 2014

None were noted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-14 Certified Budget – Disbursements did not exceed the budget for the year ending June 30, 2014.
- IV-B-14 Questionable Disbursement - We noted no questionable disbursements in regard to the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-14 Travel Expense - No disbursements of City money for travel expense of spouses of City officials or employees were noted.
- IV-D-14 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

| Name, Title and Business Connection | Transaction Description | Amount |
|----------------------------------------------------------|-------------------------|--------|
| Walter Jensen, Mayor/Owner of Jensen Enterprises Ltd. | Repairs | \$ 329 |

Criteria - Chapter 362.5(10) of the Code of Iowa prohibits any city officer or employee from having a contract or job of work with the City. Exceptions are made to this regulation if the total annual purchase is less than \$1,500, or if the work was contracted under a competitive bid. The transactions with Mayor Jensen do not appear to be in violation of the Iowa Code as \$329 is covered under the aforementioned dollar limitation exception.

- IV-E-14 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-14 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

The City did not publish annual gross salaries.

Criteria - An Attorney General's opinion dated April 12, 1978 requires local governments to publish annual gross wages.

Cause – This was an oversight on the part of the City.

Effect – The City did not comply with the opinion of the Iowa Attorney General.

Recommendation – The City should publish annual individual salaries in a timely manner.

Response – The salaries were subsequently published prior to the date of the audit report.

Conclusion – Response accepted.

City of Humboldt, Iowa

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

- IV-G-14 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- IV-H-14 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.
- IV-I-14 Payment of General Obligation Bonds – Certain general obligation bonds were paid from the Enterprise, Water Fund.

Criteria – Chapter 384.4 of the Code of Iowa states, in part “Monies pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund.”

Cause – The City were not aware of this Code position and did not transfer the funds to the Debt Service fund prior to paying the bonds.

Effect – The City did not comply with this section of the Code of Iowa.

Recommendation – The City should transfer from the Enterprise, Water Fund to the Debt Service Fund for future funding contributions. Payment of the bonds should then be disbursed from the Debt Service Fund.

Response – We will make the transfer in the future as recommended.

Conclusion – Response accepted.

- IV-J-14 Financial Position – The following funds had a deficit balance as of June 30, 2014:
Economic Development Office Fund - \$5,360
13A Drainage District Fund - \$205,187
Chamber of Commerce Fund - \$1,160
Sumner Avenue Fund - \$539,596
Eagle Ridge Fund - \$231,960
Downtown Demolition - \$85,646

Criteria – A fund in sound financial position would not have a deficit fund balance.

Cause – The City normally has to front expenses for these activities prior to receiving reimbursement or grant funds.

Effect – The funds do not appear to be in sound financial condition.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – The deficits will be eliminated when expected receipts are received.

Conclusion – Response accepted.